

MODERNIZATION PROGRAM OF THE OF THE GENERAL AUDITING OFFICE

(NI-0160)

EXECUTIVE SUMMARY

Borrower:	Republic of Nicaragua	
Executing agency:	General Auditing Office	
Amount and source:	IDB (FSO, U.S. dollars):	US\$5.4 million
	Local:	US\$0.6 million
	Total:	US\$6.0 million ¹
Terms and conditions:	Amortization period:	40 years
	Grace period:	10 years
	Disbursement period:	4 years
	Interest rate (first 10 years):	1.0%
	Interest rate (thereafter):	2.0%
	Inspection and supervision:	1.0%
	Credit fee:	0.5%
Objectives:	The general program objective is to improve the efficiency and effectiveness of oversight in public administration by modernizing and strengthening the General Auditing Office (CGR) as the supreme audit institution responsible for overseeing the administration of State resources.	
Description:	The proposed program ² is centered around four components:	
	<p>Component 1. Strengthening of the CGR organizational and management structure (US\$1.6 million). The objective of this component is to strengthen the CGR's institutional response capacity to efficiently carry out the duties under the current legal framework and help ensure effective human resource management in order to improve staffing, and staff performance and motivation based on skills. To achieve these objectives the following activities will be carried out:</p>	

¹ The financing matrix is consistent with the new policy on financing levels for the Bank and borrowing countries (documents AB-2151 and CS-3400).

² The program encompasses the General Auditing Office's four decentralized regional offices in Puerto Cabezas, Bluefields, Juigalpa and Chinandega.

(i) establish a new organizational structure; (ii) prepare strategic and management plans; (iii) design and implement manuals and guidelines on procedures; (iv) formulate a strategic plan for human resources in line with its new structure; (v) design and implement human resource management policies and systems (i.e. recruitment, evaluation, promotion, compensation, etc.); and (vi) select and implement information systems to support and enhance institutional management and for human and financial resource planning and management. This component will include internal and external outreach activities through which the CGR will disseminate information on its core values, the progress of modernization efforts and outputs from its government oversight activities.

Component 2. Strengthening of CGR control mechanisms (US\$0.6 million). The objective of this component is to modernize and strengthen control mechanisms as expedient, effective tools for ensuring transparency in public administration. The following activities will be carried out under this component: (i) review and update government auditing standards (GAS) and government auditing handbooks (GAH) and develop technical guides for different auditing areas; (ii) develop and select modern oversight procedures; and (iii) develop technical guides for the establishment of internal control procedures for internal auditing units (IAU) and review and evaluate the operations of these units. The goal is for these guides to be assimilated and used by all IAUs within a period of one year from the date of their approval so that the CGR can successfully evaluate at least 60% of all IAUs within the first year of the project execution period. This component also provides for the procurement of auditing software and computer systems in support of CGR auditing operations.

Component 3. Design and implementation of a training structure (US\$1.5 million). The objective of this component is to design and set up a comprehensive continuing training structure to enable employees of the CGR and internal auditing units of other government agencies to upgrade their technical and human skills and capabilities. The component will include the following activities: (i) prepare and implement a strategic training plan; (ii) formulate specialized training and refresher training programs; (iii) provide training in the use and management of various supporting information systems for internal management procedures, control systems and office tasks; (iv) conduct trainer training activities to build an in-house staff of instructors; and (v) upgrade existing facilities, for example by renovating the library and procuring technical training materials and equipment. Upon program completion, at least 90% of General Auditing Office and IAU personnel are expected to have taken part in training activities.

Component 4. Development of technology infrastructure (US\$1.1 million). The objective of this component is to develop a technology platform as basis for the integrated implementation of different information systems. This component includes the following activities: (i) formulate an integrated strategic plan for computer technology and resources that provides for network expansion and integration, strengthening the pool of computer equipment, updating supporting equipment for the new reporting system for data and applications management, and updating operating, development and work platforms; (ii) implement a reporting system for data management; (iii) establish an internal and agency-wide communications network, if possible, to be integrated with other related networks; (iv) establish an internal, all-staff electronic mail system with secure Internet access; (v) develop operating guides and manuals for system use, operation and maintenance; and (vi) train personnel involved in the various components of the new technology infrastructure. One hundred percent of all CGR personnel are expected to be sharing information through the network within one year from the date the new technology is procured.

The Bank's country and sector strategy:

The Bank strategy as defined in the country paper, is to achieve sustainable economic growth by continuing to reorganize the public sector as part of the ongoing State reform and by strengthening efficiency and transparency in the administration of public funds among other activities. Dialogue with the new administration as the basis for the preparation of a new country paper focused on strategies for strengthening governance and the country's institutional framework. The proposed operation is consistent with these strategies, in that it includes activities to strengthen the technical capacity of the CGR that will help restore its professional status and independence and, as a result, strengthen governance and transparency in oversight of the administration of public resources (see ¶ 1.17).

Environmental and social review:

The proposed program is environmentally feasible, in that it should have no adverse impact on the environment. On the contrary, it will have a positive impact by developing environmental auditing procedures, which will help mitigate the adverse environmental impact of government projects.

The program is expected to have a positive social impact by helping to improve the use of public resources, which will be reflected in the delivery of quality public services (see ¶ 4.5 and 4.6).

Benefits:

?? Modernization of the CGR will help strengthen its capacity to ensure technical, timely, efficient, transparent oversight of State property and resources. Reforms in the organization and

management of the CGR will improve working procedures, producing a holistic vision of the oversight process. They will also give the CGR a flexible structure which can be easily adapted to any future growth, changes and challenges. The outreach activities for the dissemination of information on the institutional values of the CGR, the progress of modernization efforts and the outputs from its oversight activities will be an incentive for the CGR to achieve its objectives and fulfill its responsibilities in the context of transparency. The activities to strengthen human resource management and training will improve staffing and help ensure that performance is more in line with employee skills.

?? The activities to strengthen the control mechanisms will help improve the efficiency of the CGR in conducting the growing number of audits and investigations required and help it develop new control procedures. Likewise, the installation of computer systems bolstering its technical, administrative and oversight activities will help expedite its work, strengthen its management capacity and promote greater internal integration and exchanges with its main outside stakeholders.

?? Lastly, the program has a comprehensive design, encompassing all major areas of the CGR, with a long-range vision of the agency, thereby ensuring continuity, sustainability and a solid foundation for meeting the challenges of a constantly changing oversight environment.

Risks:

?? Modernization efforts generally run up against natural resistance to change on the part of staff. To mitigate this type of risk, the program includes outreach activities to inform CGR personnel of developments throughout the entire modernization process to help them better identify with the reforms. It also provides for the formulation and implementation of an internal and external outreach strategy for disseminating information on the core values of the CGR and the outputs of its government oversight activities.

?? The introduction of new information technology in support of management, administrative and oversight procedures may also cause some resistance to change. However, the program includes training for staff in areas relevant to their respective fields of expertise throughout the program execution period, as well as the establishment of a continuing training system.

Special contractual clauses:

The conditions precedent to the first disbursement of Bank funding are as follows:

- a. The borrower must enter into a funds transfer agreement with the CGR that must include: (i) the terms and conditions under which the borrower will transfer the loan proceeds to the CGR; and (ii) the obligation on the part of the CGR to carry out the program activities in accordance with the loan contract between the Bank and the borrower (see ¶ 3.2).
- b. The executing agency must: (i) establish a program monitoring committee (MC); (ii) establish an administrative support unit (ASU) and select a general coordinator; and (iii) implement the program operating regulations (see ¶ 3.5).

Exceptions to Bank policy:

None

Procurement:

The selection and hiring of consulting services and all procurement under the program must be carried out in accordance with Bank procurement procedures. The procurement of goods over US\$200,000 equivalent and the awarding of construction contracts over US\$1,000,000 will be subject to international competitive bidding. In principle, procurement below those thresholds will be governed by local legislation. The selection and hiring of consulting services over US\$200,000 equivalent will require an open international call for proposals.